

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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August 10, 2004

Job Market, Stock Market: The Whole Economy Questions Republican Policy

Dear Democratic Colleague:

Republicans are telling us that “the economy has turned the corner,” but the latest job market data question what is around the corner.

After almost four years of stagnation, the job market took a welcome step forward in March, bringing some relief to long-suffering American workers. However, that relief has proved short-lived. Since March, job growth has dropped, until only 32,000 new jobs were created in July.

Since President Bush took office, the economy has lost more than 1.1 million jobs (more than 1.8 million private-sector jobs). But because of the continuing growth in the potential labor force, this job loss is just the tip of the iceberg. Each month, as many as 150,000 more people can be expected to join the labor force (e.g., by reaching working age) than leave it (e.g., through retirement). So over the last four years, the potential work force has grown by almost seven million. Thus, the 32,000 new jobs in July fall almost 120,000 jobs short of what is needed just to hold our own in the job market. And since March of 2001 — the employment peak — this Administration has not only failed to provide any jobs for the almost seven million potential new workers, but has lost more than 1.1 million jobs besides.

With employment 1.1 million below the level when the President took office, he is in danger of becoming the first President since Herbert Hoover to leave office with fewer jobs than when he arrived. In fact, merely to assure that published employment is unchanged by the beginning of November, the President needs monthly job growth in August and September to average 558,000. Thus, those two months must far exceed the job performance in any month thus far. The single largest job-growth figure, at 353,000 this March, is more than 200,000 short of what the economy must average over the next two months just to break even. Since January of 2001, job growth has averaged *minus* 27,000 per month. Of the 42 monthly job reports since this Administration began, 22 have shown negative job growth; only 20 have seen any positive number.

Still, some in the Administration do not place a high priority on the job market and working Americans.

JUDY WOODRUFF'S INSIDE POLITICS

February 6, 2004 - 15:30 ET

WOODRUFF: We are joined now by the Secretary of Labor, Elaine Chao...

I want to cite the one economic analyst with Credit Suisse First Boston. He said, these are his words, quote, "very disappointing; we're not getting the jobs to replace the stimulus in the economy which will fade once the first quarter ends." Another economist said, "It's the weakest job-creation rate relative to economic growth on record."

CHAO: Well, the stock market is, after all, the final arbiter. And the stock market was very strong this morning in reaction to the news that we have just received.

However, even for those who believe that the stock market is a more important arbiter of America's well-being than the job market for workers, the news of the last six months has been gloomy. From February 6, 2004, through last Friday, August 6, the Dow Jones Industrial Average was down 777.7 points, or more than 7.3 percent.

As Clinton Administration Treasury Secretary Robert E. Rubin has said many times, "Markets go up, and markets go down." No seasoned scholar of finance would invest too much in any interpretation of what the stock market does on any particular day. It is the longer term that counts. And three years after the beginning of the Bush Administration and the Republican economic policy, one thing is clear: The notion that massive tax cuts, targeted to those who need the help the least, are a magic elixir for the job market, the stock market, the economy, or the federal budget, is seriously misguided. After \$2.25 trillion of tax cuts and resultant additional debt-service costs through 2011 alone — with the prospect of a far higher cost in later years if the tax cuts are made permanent — the nation has fewer jobs, and a lower stock market, than before the tax-cutting began. Meanwhile, a record budget surplus has dissipated, and the nation finds itself with a record budget deficit. There is no money available for anyone's plan to safeguard Social Security and Medicare, or for any other contingency that might confront our nation in the months and years to come.

These are all the more reasons that the Republican economic strategy must be changed before it is too late.

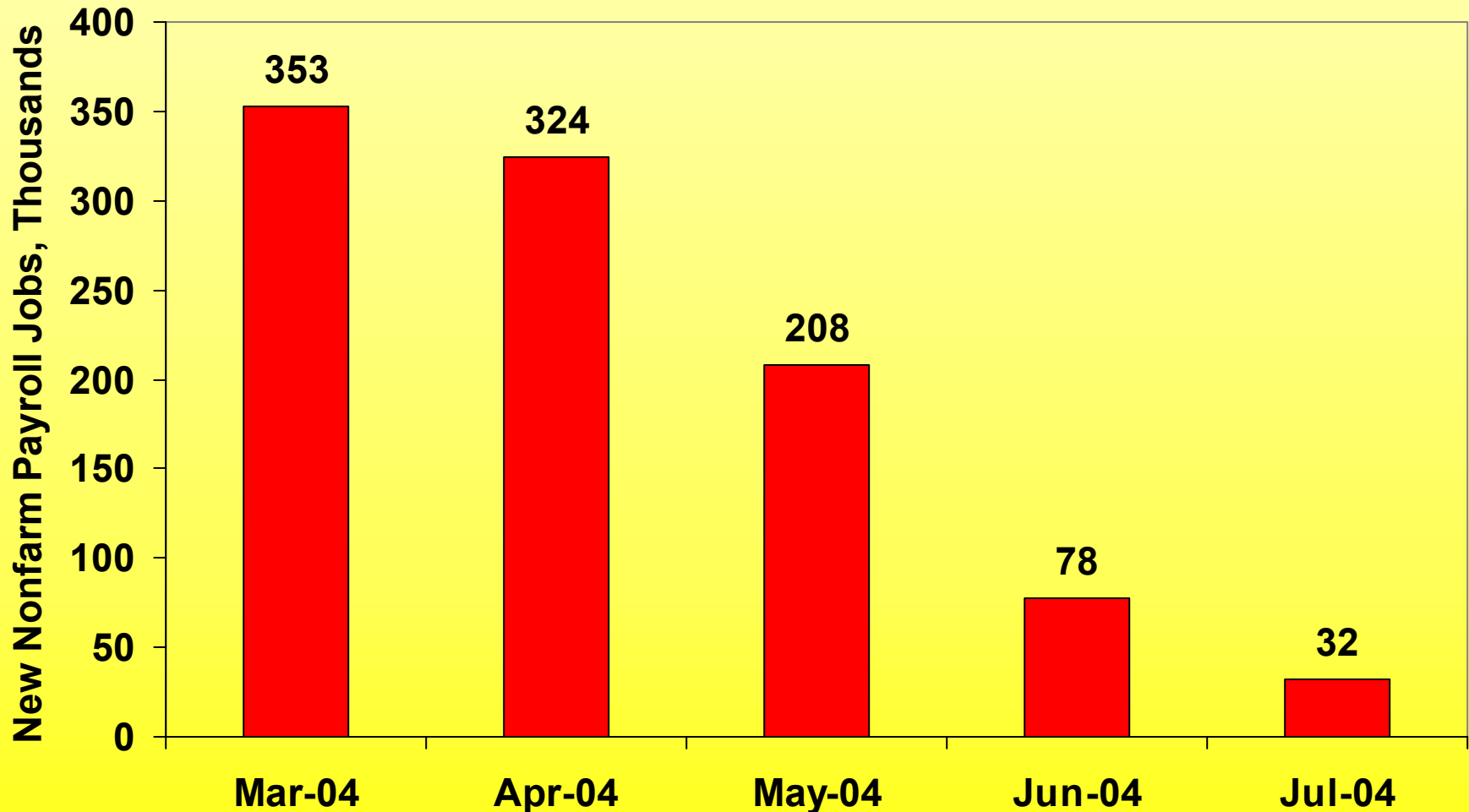
Sincerely,

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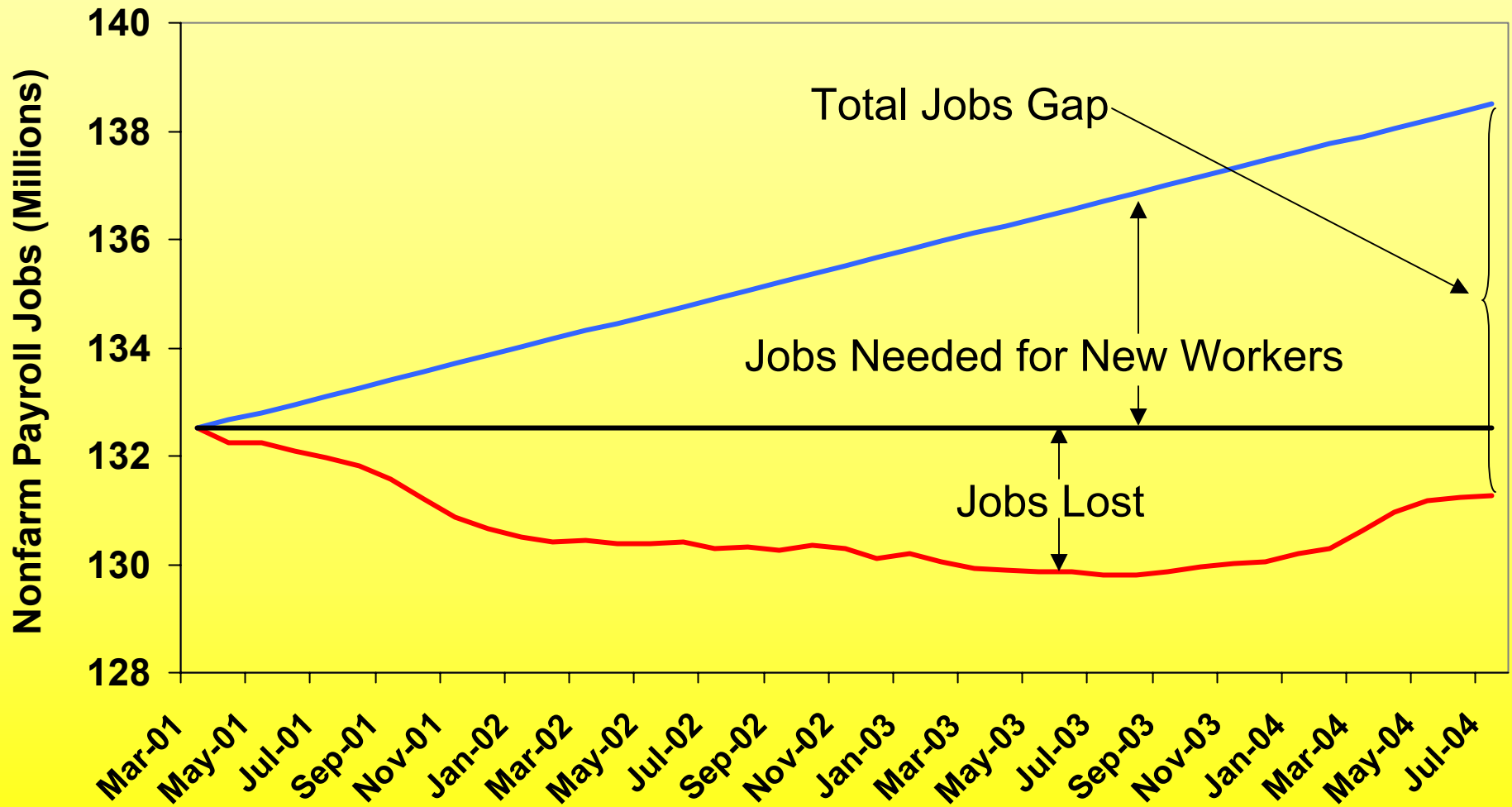
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“The Economy Has Turned the Corner:” Job Creation Falls



Seven Million Jobs Short of Democratic Track Record



President Bush Needs Massive Job Growth Just To Get Back To Zero



“The Stock Market Is, After All, the Final Arbiter”

